

Report of the auditor-general to the Free State Provincial Legislature and the council on the Matjhabeng Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Matjhabeng Local Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2022, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Matjhabeng Local Municipality as at 30 June 2022, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 9 of 2021 (Dora).

Basis for qualified opinion

Service charges

3. I was unable to obtain sufficient appropriate audit evidence for water and electricity included in service charges as the municipality did not have adequate processes for the billing of water and electricity consumption. This was due to the municipality not reading water and electricity meters regularly, which resulted in consumers being billed for water and electricity consumption based on estimates for extended time periods. I was unable to confirm service charges by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to water and electricity included in service charges, stated at R1 312 985 681 (2021: R1 274 441 276) in note 18 to the financial statements.

Payables from exchange transactions

4. The municipality did not correctly account for trade payables in terms of GRAP 1, *Presentation of financial statements*, as payments made to respective suppliers during the current year was not adjusted in the trade payables sub-ledger when suppliers were paid. In addition, differences were noted in the corresponding amounts between the accounting records and supplier statements. Consequently, this resulted in an overstatement of trade payables by R284 474 468 (2021: R207 113 165) as stated in note 13 to the financial statements. I was

unable to determine the other line items affected in the financial statements as it was impracticable to do so.

5. I was also unable to obtain sufficient appropriate audit evidence for trade payables and the salary control accounts included in payables from exchange transactions, as the municipality was unable to provide adequate supporting evidence to verify creditors with debit balances, trade payables and salary control accounts. These were mainly due to the status of accounting records and inadequate reconciliation of control accounts. I was unable to confirm the trade payables and salary control accounts by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to trade payables and salary control accounts stated at R621 428 531 (2021: R671 302 696) in note 13 to the financial statements.

General expenses

6. The municipality did not record general expenditure in accordance with GRAP 1, *Presentation of financial statements*, as the municipality incorrectly accounted for expenditure on a cash basis of accounting when payments were made rather than on an accrual basis of accounting when the transactions occurred. Consequently, general expenses and payables from exchange transactions were understated by R42 779 622, respectively. There was also an impact on the deficit for the period and accumulated deficit. In addition, I was unable to obtain sufficient appropriate audit evidence for general expenses, due to the status of the accounting records. I was unable to confirm the general expenses by alternative means. Consequently, I was unable to determine whether any further adjustment was necessary to general expenses stated at R468 162 589 in note 36 to the financial statements.

Contracted services

7. The municipality did not record contracted services in accordance with GRAP 1, *Presentation of financial statements*, as the municipality incorrectly accounted for expenditure on a cash basis of accounting when payments were made rather than on an accrual basis of accounting when the transactions occurred. Consequently, contracted services and payables from exchange transactions were understated by R78 233 348, respectively. There was also an impact on the deficit for the period and accumulated deficit. In addition, I was unable to obtain sufficient appropriate audit evidence that all expenses had been recorded, as the municipality did not have adequate systems in place to account for contracted services. I could not confirm the contracted services by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to contracted services stated at R178 912 448 in note 35 to the financial statements.

Context for the opinion

8. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
9. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements

that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

10. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Material uncertainty relating to going concern

11. I draw attention to the matter below. My opinion is not modified in respect of this matter.
12. Note 46 to the financial statements indicates that the municipality incurred a deficit of R1 016 282 541 during the year ended 30 June 2022 and, as of that date, the municipality's current liabilities exceeded its current assets by R8 488 199 916 (2021: R7 323 685 638). In addition, the municipality owed Eskom R4 763 944 657 (2021: R3 964 044 474) and the water board R4 897 035 157 (2021: R4 307 438 655) as at 30 June 2022, which was long overdue. These events or conditions, along with other matters as set forth in note 46, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

13. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

14. As disclosed in note 44 to the financial statements, the corresponding figures for 30 June 2021 were restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2022.

Material impairments

15. As disclosed in notes 5 and 6 to the financial statements, receivables from exchange transactions and receivables from non-exchange transactions were impaired by R4 307 324 970 (2021: R3 646 965 321).

Material losses

16. As disclosed in note 34 to the financial statements, material electricity losses of R150 050 786 (2021: R127 890 866) and material water losses of R323 991 257 (2021: R363 540 187) were incurred, mainly due to metering inefficiencies, ageing pipeline infrastructure, burst water pipes, leakages and unmetered connections.

Underspending of the conditional grant

17. As disclosed in note 15 to the financial statements, the municipality materially underspent the conditional grants by R191 001 126 (2021: R102 362 818).

Material uncertainty relating to claims against the municipality

18. With reference to note 42 to the financial statements, the municipality is the defendant in various claims against the municipality. The municipality is opposing these claims. The ultimate outcome of these matters could not be determined and no provision for any liabilities that may result was made in the financial statements.

Unauthorised expenditure

19. As disclosed in note 48 to the financial statements, the municipality incurred unauthorised expenditure of R1 474 880 000 (2021: R1 274 087 422), due to overspending of the budget.

Fruitless and wasteful expenditure

20. As disclosed in note 49 to the financial statements, the municipality incurred fruitless and wasteful expenditure of R180 736 297 (2021: R103 743 150), mainly due to interest and penalties charged.

Irregular expenditure

21. As disclosed in note 50 to the financial statements, the municipality incurred irregular expenditure of R307 922 701 (2021: R447 392 722), due to non-compliance with supply chain management (SCM) processes. In addition, the full extent of irregular expenditure is still in the process of being determined.

Other matter

22. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure notes

23. In terms of section 125(2)(e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

Responsibilities of the accounting officer for the financial statements

24. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
25. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

26. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
27. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

28. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected key performance area (KPA) presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
29. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipality's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the municipality enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
30. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected KPA presented in the municipality's annual performance report for the year ended 30 June 2022:

KPA	Pages in the annual performance report
KPA 2 – basic services	x – x

31. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

32. The material findings on the usefulness and reliability of the performance information of the selected KPA are as follows:

KPA 2 – basic services

Km of collapsed sewer lines replaced around all six towns by 30 June 2021

33. The source information and evidence for achieving the planned indicator were not clearly defined. As a result, the achievement of 0,006 km was reported against target 50 km in the annual performance report. However, the supporting evidence provided did not agree to the reported achievement.

Number of water meters investigated around all six towns

34. The planned target of 2 000 for this indicator was not specific in clearly identifying the nature and required level of performance.

Various indicators

35. I was unable to obtain sufficient and appropriate audit evidence for the reported achievements of the following indicators. This was due to the lack of accurate and complete records. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report for the indicators listed below:

Indicator descriptions	Planned targets	Reported achievements
Percentage progress on the refurbishment of Kutlwanong waste water treatment works	80%	69%
Percentage of old asbestos pipe replaced in Kutlwanong	100%	72%
Number of stuck and leaking water meters replaced around all six towns	1 000	584
Number of water leakages repaired around all six towns	2 828	7263
Number of streetlights maintained and repaired around all six towns	4 069	1298

Various indicators

36. The source information and evidence for achieving the planned indicators were not clearly defined for the following indicators. In addition, I was unable to obtain sufficient and appropriate audit evidence for the achievements reported against targets in the annual performance report, due to the lack of accurate and complete records. I was unable to confirm

the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements of the indicators listed below:

Indicator descriptions	Planned targets	Reported achievements
Number of sewer blockages opened around all six towns	12	12 003
Number of manhole covers replaced around all six towns by 30 June 2021	6 000	65
Square meters of streets patched around all six towns	15 800 m2	31 030 m2

Other matters

37. I draw attention to the matters below.

Achievement of planned targets

38. Refer to the annual performance report on pages ... to ... for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 33 to 36 of this report.

Adjustment of material misstatements

39. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of KPA 2 – basic services. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

40. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipality's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

41. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements and annual reports

42. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, current assets and disclosure items, identified by the auditors in the

submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

43. The local community was not invited to submit representations in connection with the 2020-21 annual report, as required by section 127(5)(a)(ii) of the MFMA.
44. The council failed to adopt an oversight report containing the council's comments on the 2020-21 annual report, as required by section 129(1) of the MFMA.
45. The oversight report adopted by the council on the 2020-21 annual report was not made public, as required by section 129(3) of the MFMA.

Expenditure management

46. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
47. An adequate management, accounting and information system was not in place which recognised expenditure when it was incurred, as required by section 65(2)(b) of the MFMA.
48. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The value of R307 922 701, as disclosed in note 50, is not complete as management was still in the process of quantifying the full extent of the irregular expenditure. The majority of the disclosed irregular expenditure was caused by non-compliance with SCM regulations.
49. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R180 736 297, as disclosed in note 49 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest paid due to late payment of suppliers.
50. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R1 474 880 000, as disclosed in note 48 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending the approved budget.

Revenue management

51. An effective system of internal control for revenue and debtors was not in place, as required by section 64(2)(f) of the MFMA.

Strategic planning and performance management

52. The performance management system and related controls were inadequate due to the significant internal control deficiencies identified resulting in usefulness and reliability findings on indicators and targets, as required by municipal planning and performance management regulation 7(1).

Procurement and contract management

- 53. Sufficient appropriate audit evidence could not be obtained that all contracts and quotations were awarded in accordance with the legislative requirements as bid documents were not submitted. A similar limitation was also reported in the prior year.
- 54. Some of the contracts were awarded to providers whose tax matters had not been declared by the South African Revenue Service (Sars) to be in order, in contravention of SCM regulation 43. A similar non-compliance was also reported in the prior year.
- 55. The preference point system was not applied on procurement of goods and services above R30 000 as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act 5 of 2000.
- 56. Sufficient appropriate audit evidence could not be obtained for commodities designated for local content and production that invitations to tender for procurement stipulated the minimum threshold, such commodities were procured from suppliers who submitted a declaration and who met the prescribed minimum threshold for local production and content as required by the 2017 Preferential Procurement Regulations 8(2) and 8(5). A similar limitation was also reported in the prior year.

Consequence management

- 57. Some of the unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.
- 58. Irregular expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
- 59. Some of the fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Asset management

- 60. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.
- 61. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.

<h2>Other information</h2>

- 62. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and the selected KPA presented in the annual performance report that has been specifically reported in this auditor's report.

63. My opinion on the financial statements and findings on the reported performance information and compliance with legislation does not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
64. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected KPA presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
65. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

66. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
67. Leadership did not adequately monitor and enforce the implementation of the corrective measures included in the audit action plan to effectively address internal control deficiencies and apply consequence management for weaknesses identified during previous years' audits.
68. Management's failure to prioritise, develop and apply standard operating procedures to manage performance reporting, including the safeguarding of information and effective monitoring and evaluation of reported performance information against the set indicators resulted in material findings on the annual performance report.
69. Management's lack of detailed review of the annual financial statements and the underlying records resulted in material misstatements that were not detected and corrected which resulted in material non-compliance included in this report.
70. Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

Material irregularities

71. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of the material irregularities reported in the previous year's auditor's report.

Material irregularities in progress

72. I identified material irregularities during the audit and notified the accounting officer of these, as required by material irregularity regulation 3(2). By the date of this auditor's report, the responses of the accounting officer were not yet due. These material irregularities will be included in the next year's auditor's report.

Status of previously reported material irregularities

Late payment of employee taxes

73. The municipality did not pay over money deducted from employees within seven days after the end of the month during which the amounts were deducted or withheld from employees in respect of their liability for normal tax, as required by section 2(1) of the fourth schedule of the Income Tax Act 58 of 1962. The late payment resulted in a material financial loss for the municipality due to interest of R650 640 and penalties of R1 881 783 incurred for the period 1 April 2019 to 30 June 2020.
74. The accounting officer was notified of this material irregularity on 15 April 2021. The accounting officer did not take appropriate action to address the matter as adequate steps were not taken to prevent further losses. I recommend that the accounting officer should take the following actions to address the material irregularity, which should be implemented by 14 July 2023, with a progress report provided every two months:
- Appropriate action should be taken to develop and to commence with the implementation of a financial recovery plan as approved by council, to address the financial problems of the municipality; that are preventing it from paying Sars within seven days, as required by section 2(1) of the Fourth Schedule of the Income Tax Act. The financial plan should include realistic timeframes and milestones to be achieved and include, as a minimum, strategies to:
 - (a) enhance the existing *Revenue enhancement and debt collection plan* with the intention to increase revenue; and
 - (b) efficiently manage the available resources of the municipality to optimise and reduce costs by eliminating wastage whilst obtaining value in respect of all costs incurred.

Payment for attenuation dam not constructed at Nyakallong storm water system phase 1

75. On 12 April 2017, the municipality awarded a contract of R13 744 408 for the construction of the Nyakallong storm water system to a contractor. Two variation orders amounting to R3 268 705 were approved in 2017 and 2019. Payments estimated at R7 214 719 were made for an attenuation dam after the consulting engineer certified it had been completed. However, during a site visit, the auditors confirmed that the project was incomplete, the attenuation dam had not been constructed, the contractor had abandoned the project site and the work performed was not of the required quality. This contravened section 65(2)(a) of the MFMA, as an effective system of expenditure control for the approval and payment of funds was not maintained. The overpayments made on the project are likely to result in a material financial loss for the municipality, if not recovered.

76. The accounting officer was notified of the material irregularity on 5 May 2020. The accounting officer could not provide sufficient and appropriate evidence of the actions that had been taken in response to being notified of the material irregularity. On 9 June 2021, I referred the material irregularity to the Directorate for Priority Crime Investigation (the Hawks) for investigation, as provided for in section 5(1A) of the PAA. The Hawks accepted the referral on 23 June 2021 and the investigation is currently in progress.

Eskom not paid within 30 days

77. The accounting officer did not take all reasonable steps to ensure that amounts due to Eskom for the bulk purchase of electricity were paid within 30 days of receiving the relevant invoice or statement, as required by section 65(2)(e) of the MFMA. As a result of the late payment, the municipality incurred interest of R255 516 913 for the financial year ended 30 June 2019. The interest incurred is likely to result in a material financial loss for the municipality due to the liability to pay the interest to Eskom.
78. The accounting officer was notified of the material irregularity on 4 May 2020. The following actions have been taken or is in progress to resolve the material irregularity:
- The outstanding balance due to Eskom is currently subject to legal proceedings between Eskom and the municipality. Therefore an agreement could not yet be reached on a payment plan.
 - The municipal public accounts committee (MPAC) investigated the fruitless and wasteful expenditure relating to the interest incurred and concluded that no person can be held responsible for the loss as it was due to the financial position of the municipality and cash flow constraints. The MPAC investigation report was tabled in council on 29 October 2020.
79. I will follow up on the outcome of the legal proceedings and progress regarding a payment arrangement with Eskom during my next audit.

Other reports

80. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
81. There was an ongoing investigation into allegations of forgery of a signature of a municipal official that resulted in a payment being made without a service having been rendered to the municipality. This investigation is being conducted by the South African Police Service (SAPS) and covers a specific incident that occurred on 11 November 2015. The outcome was unknown at the date of this auditor's report as the investigation was in progress.
82. There was an ongoing investigation by the DPCI into the allegation of payroll fraud as the IP address of the official was compromised and unauthorised access was obtained, which resulted in the alteration of the banking details of various employees. The investigation covers

the specific incident that occurred on 22 January 2020. The outcome was unknown at the date of this auditor's report as the investigation was in progress.

83. There was an ongoing investigation by the SAPS into the allegation of unauthorised amendments to the supplier's banking details on the municipality's accounting system. The investigation covers the specific incident that occurred on 13 May 2016. The outcome was unknown at the date of this auditor's report as the investigation was in progress.

Auditor - General

Bloemfontein

14 January 2023



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected KPA and on the municipality's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
 - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control.
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
 - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Matjhabeng Local Municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease operating as a going concern.
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.